

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

| | | |
|---------------------------------------|---|--------------------------------|
| In re: | § | |
| | § | Chapter 11 |
| | § | |
| CORE SCIENTIFIC, INC., et al., | § | Case No. 22-90341 (DRJ) |
| | § | |
| Debtors.¹ | § | (Jointly Administered) |
| | § | |

**NOTICE OF FILING OF DEMONSTRATIVE TO BE USED BY
THE DEBTORS AT THE HEARING ON OCTOBER 10, 2023 AT 1:00 P.M. (CT)**

PLEASE TAKE NOTICE THAT on September 23, 2023, Core Scientific, Inc. and its debtor affiliates, as debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “**Debtors**”), filed the *Motion of Debtors for Authority to Enter Into Lease and Related Agreements* (Docket No. 1260) (the “**Motion**”).

PLEASE TAKE FURTHER NOTICE THAT on October 4, 2023, the Debtors filed the *Supplement and Request for Emergency Relief With Respect to Motion of Debtors for Authority to Enter Into Lease and Related Agreements* (Docket No. 1301) (the “**Supplement**”), which, together with the Motion, is scheduled for hearing (the “**Hearing**”) on October 10, 2023 at 1:00 P.M. (prevailing Central Time) before the Honorable David R. Jones, United States Bankruptcy Judge for the Southern District of Texas, Houston Division.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Core Scientific Mining LLC (6971); Core Scientific, Inc. (3837); Core Scientific Acquired Mining LLC (6074); Core Scientific Operating Company (5526); Radar Relay, Inc. (0496); Core Scientific Specialty Mining (Oklahoma) LLC (4327); American Property Acquisition, LLC (0825); Starboard Capital LLC (6677); RADAR LLC (5106); American Property Acquisitions I, LLC (9717); and American Property Acquisitions, VII, LLC (3198). The Debtors’ corporate headquarters and service address is 210 Barton Springs Road, Suite 300, Austin, Texas 78704.

PLEASE TAKE FURTHER NOTICE THAT the Debtors' undersigned counsel will present a PowerPoint demonstrative, attached hereto as **Exhibit A**, to the Court and other interested parties at the Hearing.

Dated: October 10, 2023
Houston, Texas

Respectfully submitted,

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*Attorneys for Debtors
and Debtors in Possession*

Certificate of Service

I hereby certify that on October 10, 2023, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Alfredo R. Pérez

Alfredo R. Pérez

EXHIBIT A



Hearing On Debtors' Motion For
Authority To Enter Into The Cottonwood II Agreements

October 10, 2023

Roadmap

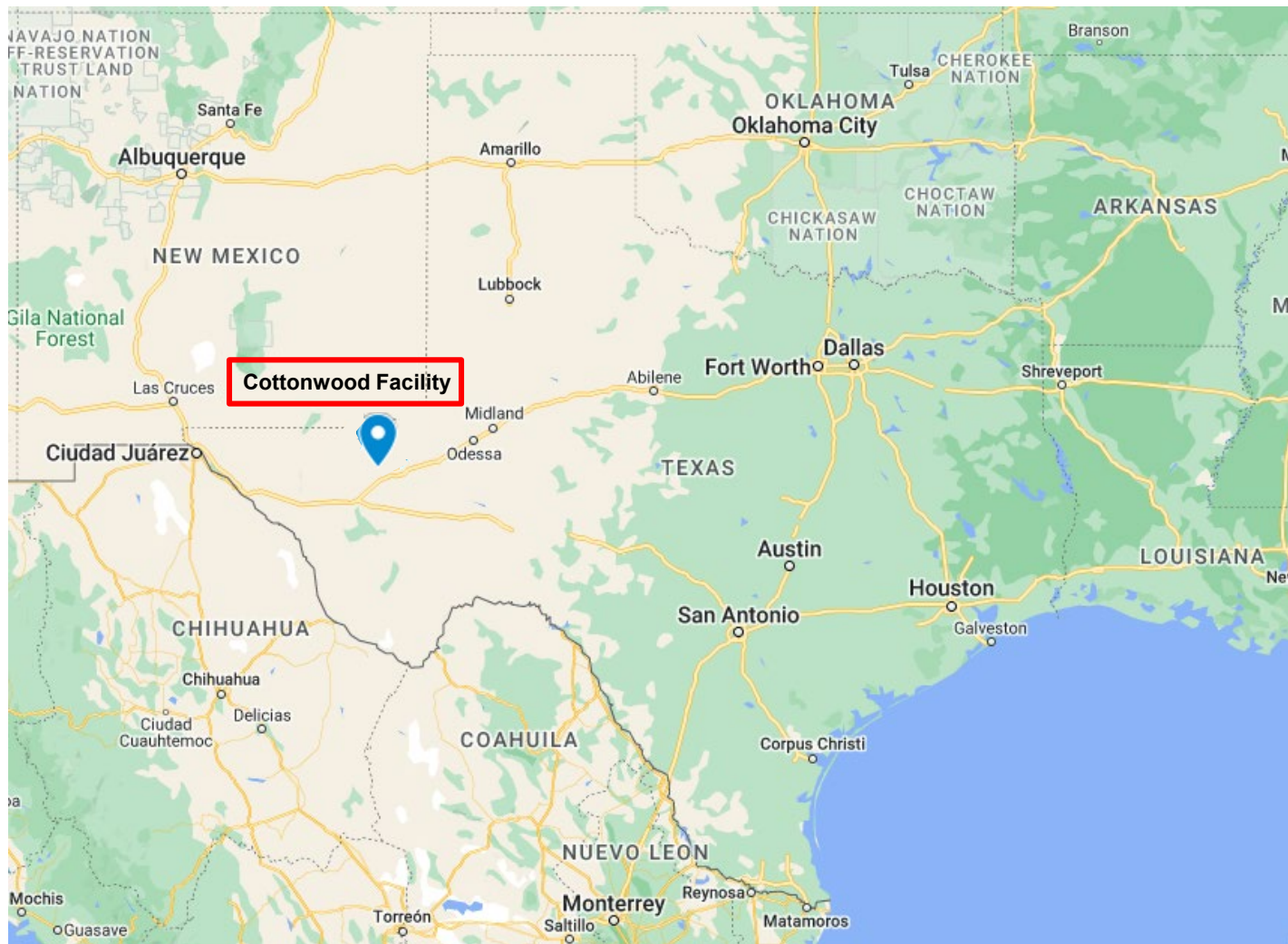
- 1 Overview of the Cottonwood Facility
- 2 Relevant Background
- 3 Overview of the Easement Areas
- 4 The Cottonwood II Agreements
- 5 Approval of the Cottonwood II Agreements is Warranted

Overview of the Cottonwood Facility

- The “**Cottonwood Facility**” is located in Reeves County, Texas and consists of two properties: the **Cottonwood I Property** and the **Cottonwood II Property**.
- The Electrical Reliability Council of Texas (“**ERCOT**”) and Texas New Mexico Power Company (“**TNMP**”) have approved the Cottonwood Facility to receive 234 megawatts of energy from the electrical grid.
- **The Cottonwood I Property** is an operational data-center facility where the Debtors currently operate over 12,000 miners. There is also an electrical substation located on the Cottonwood I Property (the “**Cottonwood Substation**”) that dispatches power to the Cottonwood Facility.
- **The Cottonwood II Property** is a nearby tract of land that the Debtors agreed to lease in order to obtain an easement necessary to power with Cottonwood Substation. With the lease, the Debtors could decide to expand their operations to the Cottonwood II Property.

1. Capitalized terms not defined herein have meaning ascribed to them in the *Motion of Debtors for Authority to Enter Into Lease and Related Agreements* (ECF No. 1260) (the “**Motion**”) and the *Supplement and Request for Emergency Relief With Respect to Motion of Debtors for Authority to Enter Into Lease and Related Agreements* (ECF No. 1301) (the “**Supplement**”).

Overview of the Cottonwood Facility



Overview of the Cottonwood Facility



Cottonwood Substation

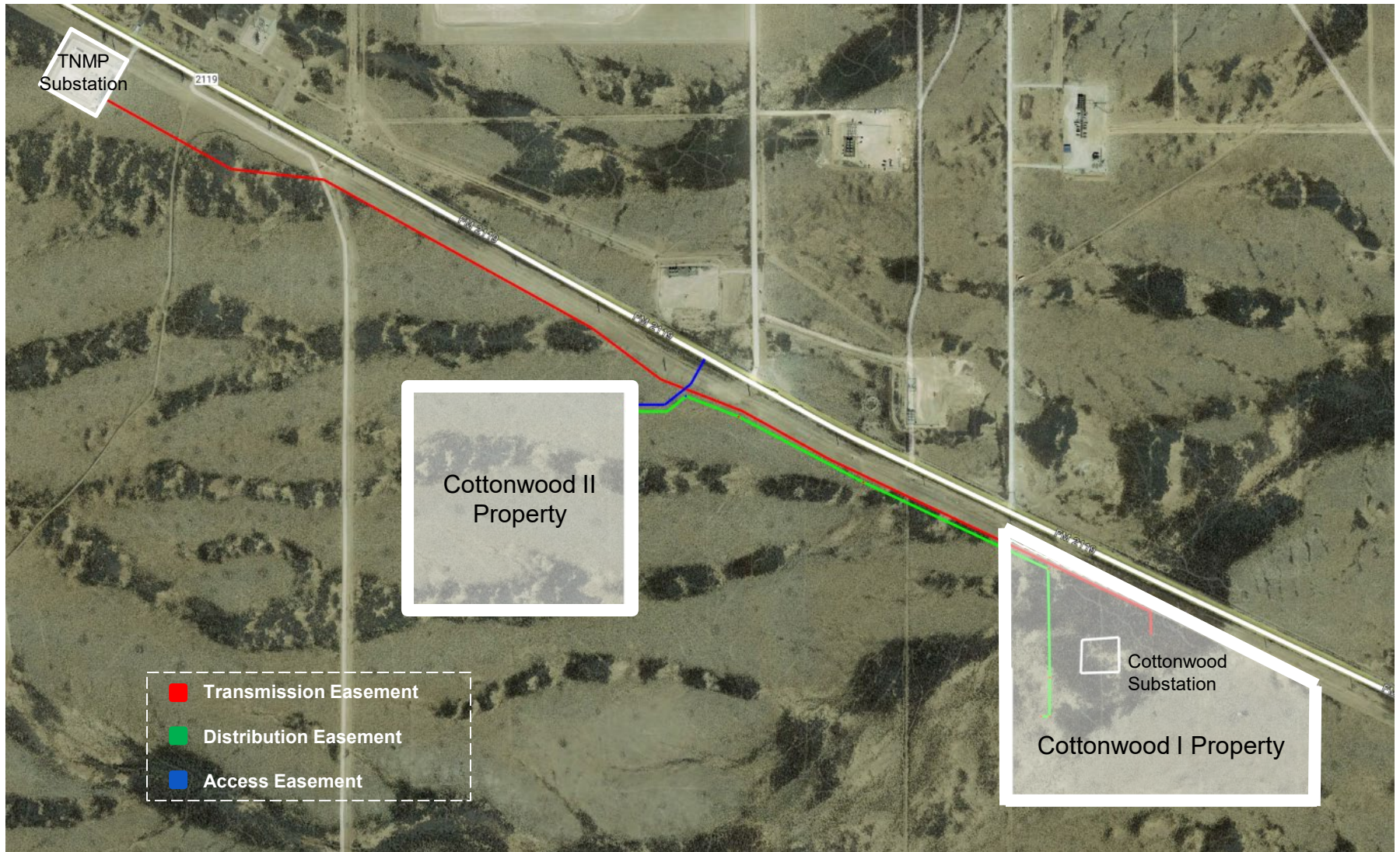


Cottonwood I Property

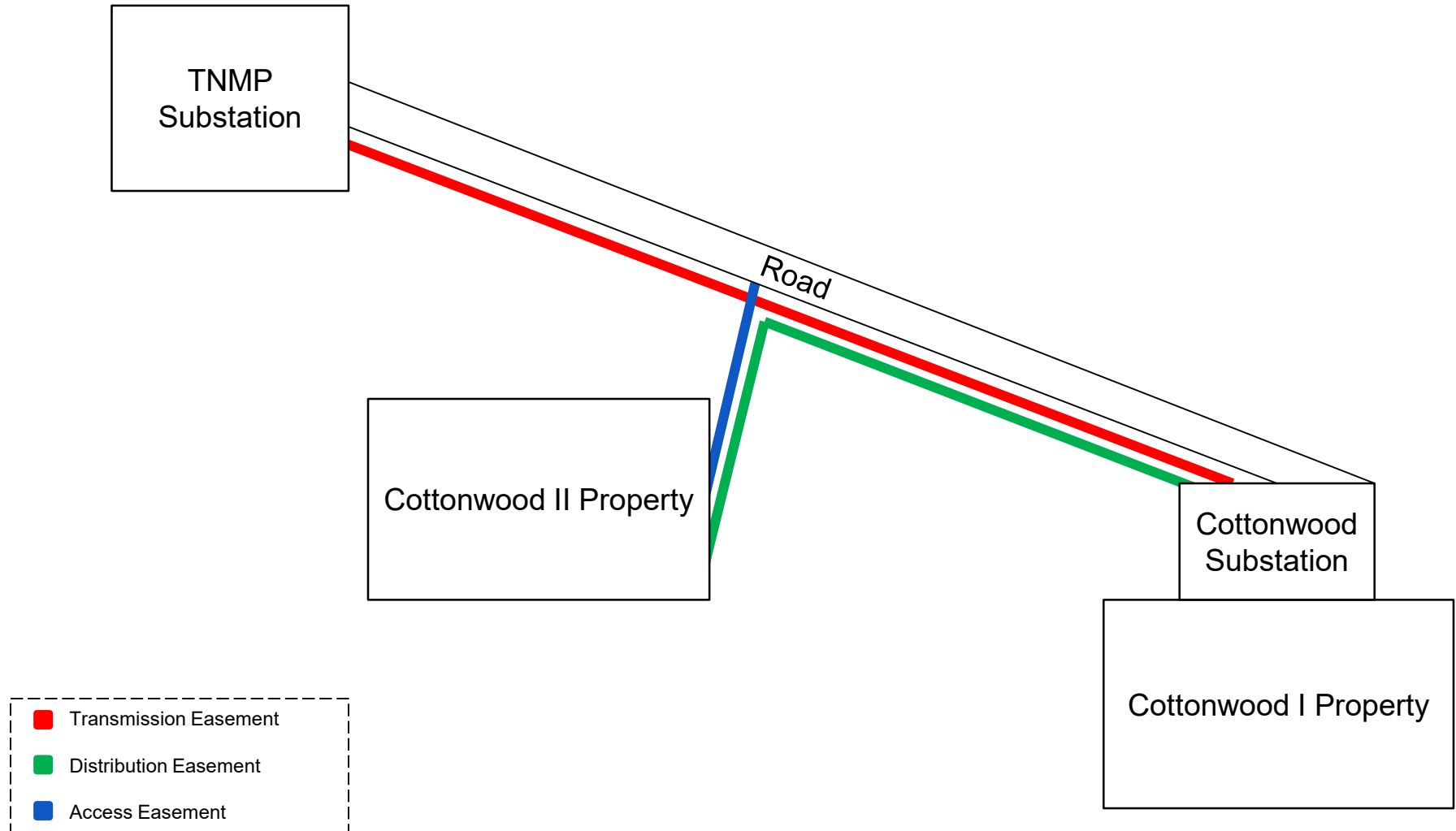
Relevant Background

- To transmit electricity from the TNMP power station to the Cottonwood Substation, the Debtors must run a transmission line across a strip of land (the “**Transmission Easement Area**”) owned by JRC/RGC32 Trade Tracts, LTD (“**Landlord**”).
- In early 2022, in connection with the development of the Cottonwood I Property, the Debtors approached Landlord to procure an easement agreement that would allow the Debtors to run a transmission line across the Transmission Easement Area. Landlord agreed, subject to the Debtors agreeing to lease the Cottonwood II Property.
- The Debtors and Landlord contemplated the following four agreements:
 - (1) Lease Agreement for the Cottonwood II Property
 - (2) Transmission Easement Agreement
 - (3) Distribution Easement Agreement
 - (4) Access Easement Agreement

Overview of the Easement Areas



Overview of the Easement Areas



The Cottonwood II Agreements

| Agreement | Motions Exhibit No. | Description |
|---------------------------------|-------------------------------|--|
| Cottonwood II Lease Agreement | Exhibit 1 (ECF No. 1317-2) | Allowing the Debtors to expand their Mining Operations beyond the Cottonwood I Property |
| Cottonwood II Memo of Lease | Exhibit 2 (ECF No. 1317-3) | Memorializes the Cottonwood II Lease |
| Transmission Easement Agreement | Exhibit 4 (ECF No. 1317-5) | For the Debtors to transmit energy from the TNMP power station to the Cottonwood Substation. |
| Distribution Easement Agreement | Exhibit 3 (ECF No. 1317-4) | For the Debtors to distribute energy from the Cottonwood Substation to the Cottonwood II Property. |
| Access Easement Agreement | Exhibit 5 (ECF No. 1317-6) | Providing the Debtors' sole means of ingress / egress to the Cottonwood 2 Property. |

The Cottonwood II Agreements

- In anticipation of entering into the Cottonwood II Agreements, the Debtors engaged contractors to perform work to install the Transmission Line and the Distribution Line and to develop the Cottonwood II Property.
- In connection with such work:
 - Certain contractors and subcontractors filed mechanics' liens encumbering the Cottonwood II Property;
 - Certain other contractors, subcontractors, and/or other parties asserting claims against the Debtors have filed liens, lien claims, and lien affidavits encumbering the Cottonwood II Property, the Easement Areas, and other property owned by Landlord in Reeves County, Texas.
 - Exhibit B to the Motion sets forth the existing liens that Landlord has identified.
- Following the entry into the Cottonwood II Agreements, the Debtors obtained lien waivers and releases from the lien holders of each of the Existing Liens.

The Cottonwood II Agreements

| Term | Description |
|--|---|
| Lease Term | <ul style="list-style-type: none"> 99 years, with no options to extend |
| Rent/Consideration | <ul style="list-style-type: none"> One-time payment of \$1 million |
| Events of Default | <ul style="list-style-type: none"> Customary events of default and remedies for Landlord |
| Reservation of Rights by Landlord | <ul style="list-style-type: none"> Landlord retains all oil, gas, and other minerals at the Cottonwood II Property |
| Restoration | <ul style="list-style-type: none"> The Debtors are required to restore the Cottonwood II Property to its original condition at the end of the Lease Term Landlord may, in its sole discretion, require the Debtors to leave all or any portion of the facilities that the Debtors install |

1. All subject to the conditions and terms further set forth in the Motion.

The Cottonwood II Agreements

| Term | Description |
|--------------------------------------|--|
| Existing Liens | <ul style="list-style-type: none"> • The Debtors' will use commercially reasonable efforts to: <ul style="list-style-type: none"> • Obtain release of the existing liens encumbering the Cottonwood II Property, the Easement Areas, and Landlord's Other Property • Obtain express waivers and disclaimers so future liens do not attach to Landlord's fee interest |
| Landlord's Termination Rights | <ul style="list-style-type: none"> • If not approved by the Court by <u>October 16, 2023</u>, Landlord may terminate immediately upon delivery of notice • If the Consideration is not paid within two business days after the Court's approval, Landlord may terminate • Landlord is entitled to exercise all rights under the Cottonwood II Agreements • If any existing lien is not timely removed in accordance with the Cottonwood II Agreements, Landlord may terminate without any notice or cure period required |

Approval of the Cottonwood II Agreements is Warranted

- Entering into the Cottonwood II Agreements is a sound exercise of the Debtors' business judgment:
 - **(1)** The Cottonwood II Agreements will allow the Debtors to continue energizing the data-center facility located on Cottonwood I, where the Debtors operate over 12,000 miners.
 - **(2)** In addition to energizing Cottonwood I, the Cottonwood II Agreements provide the Debtors with the optionality of expanding their operations to the Cottonwood II Property.
 - **(3)** The \$1,000,000 consideration under the Cottonwood II Agreements is reasonable.
- Emergency relief is also warranted: unless the Debtors obtain entry of the Proposed Order on or before **October 16, 2023**, Landlord may terminate the Cottonwood II Agreements pursuant to the terms thereof.